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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the views of the Board of Auditors on improvement of oversight functions within the United Nations, prepared by the Board of Auditors in accordance with the requests of the Assembly in its decision 47/454 of 23 December 1992 and section II, paragraph 8, of its resolution 48/218 A of 23 December 1993.

ANNEX

Letter dated 27 September 1994 from the Chairman of the Board of Auditors to the President of the General Assembly

I have the honour to transmit to you the attached document in accordance with section II, paragraph 8, of General Assembly resolution 48/218 A of 23 December 1993. The present document represents the views of the Board of Auditors only. The views of the Panel of External Auditors, the specialized agencies and the International Atomic Energy Agency will be submitted at a later date, in the event that the Panel wishes to put forward additional proposals.

(Signed) John BOURN
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

APPENDIX

Views of the Board of Auditors on improving oversight functions

1. In its decision 47/454 of 23 December 1992, the General Assembly decided "without prejudice to existing relevant resolutions, to consider the roles and coverage of the subsidiary bodies responsible for coordination, administrative questions and budgetary matters, including the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Committee for Programme and Coordination, with a view to improving the effectiveness of their oversight and coordination mechanisms". As requested, the present paper sets out the views of the Board of Auditors.

2. The document also deals, in part, with the General Assembly's further request in section II, paragraph 8, of resolution 48/218 A, addressed both to the Panel of External Auditors and to the Board to provide their views on how oversight functions could be improved, according to current reporting procedures. The Panel of External Auditors' first paper in response to that request (A/48/876, annex) dealt principally with improvements to the internal oversight mechanisms. The present paper focuses on the external oversight mechanisms and, in particular, on the role of the Board of Auditors.

A. Role and scope of the Board of Auditors

3. The Board welcomes warmly the General Assembly's reaffirmation (most recently in its resolution 48/218 B of 29 July 1994) of the role of the Board of Auditors as an external control mechanism for oversight, monitoring and control by the General Assembly of the administrative and financial functioning of the United Nations. In the Board's view, a strong and independent external audit function should remain at the core of the accountability arrangements of the United Nations.

4. The Board considers that its role and function should continue in essence as now. However, the Board is aware of the need to improve continuously upon the quality of the external audit service provided to the United Nations in line with developments in the auditing profession. It has worked closely with its colleagues on the Panel of External Auditors to ensure that it continues to apply the best professional practice.

5. The Board has reviewed carefully the scope of its mandate as set out in article XII of the Financial Regulations of the United Nations and the annex setting out additional terms of reference governing the audit of the United Nations. The dual mandate, first, to express an opinion on the financial statements and, second, to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization is fully consistent with the standards set out by the International Organization of Supreme Auditing Institutions (INTOSAI). It is also very similar to the mandate held by the supreme audit institutions of many Member States.

6. In practice the Board has been able to work within this mandate and has encountered few difficulties in pursuing its inquiries or in fulfilling its responsibilities. The Board therefore considers that this basic mandate should remain unchanged.

B. Structure and composition of the Board of Auditors

7. The advantages of the current Board structure are first that the members carrying out the audit are wholly independent of the United Nations Secretariat; secondly, the Member States are involved directly in carrying out the external audit; and third, by bringing together a number of Member States, the Board ensures wide coverage and a sharing of the burden.

8. The current Board of three members is large enough to ensure that the burden of carrying out the audit is shared yet small enough to ensure that there is genuine cooperation and coordination on technical and professional matters. This ensures consistency of approach and a practical sharing of ideas and experience at the working level. The Board therefore believes that current arrangements should be retained.

9. In a separate request, the General Assembly, in its resolution 48/216 D of 23 December 1993, invited the Board, in consultation with the Secretary-General, to provide its views on extending the term of office for members from four to six years. The Board has submitted its views separately (A/49/368) recommending the adoption of a six-year term of appointment.

C. Measures to improve the quality of external audit work

10. The Board has worked to improve the quality of the service it provides to the United Nations through the efforts of its individual members, such as programmes of staff training, and collectively through the involvement of its members in the work of INTOSAI. Over the last two years the Panel of External Auditors has reviewed its auditing standards to ensure they conform to INTOSAI standards and best professional practice. Also, the Board has recently revised its own audit manual, ensuring that all staff involved in the work apply current best practice in their audits of the United Nations environment.

11. The Board has gradually expanded its coverage of management issues. In the recent past, it has developed the horizontal audit approach to cover comprehensively selected audit areas such as expendable and non-expendable property, internal audit function and procurement of goods and services, in all the organizations audited. In its resolution 47/211 of 23 December 1992, the General Assembly welcomed the identification by the Board of Auditors of areas of horizontal study across the organizations audited, and endorsed the intention of the Board to continue that practice in future audits.

D. Audit resources

12. In recent debates a number of Member States have expressed concern about the capacity of Board members to provide sufficient numbers of professionally qualified staff to carry out the full range of audit activities required by the United Nations. The Board is glad to provide full reassurance on that point. The members of the Board have always been able to provide the United Nations with the necessary staff either from their own resources or by engaging the services of other auditors as provided for by regulation 12.9 of the Financial Regulations of the United Nations. Under these provisions, the Board therefore has access to fully qualified staff whenever they are required. But given the increasing numbers of requests from the General Assembly, this cannot be done without some additional cost.

13. The Board is therefore concerned about the adequacy of the financial provision made for its work. In a sense the members of the Board are contractors in that they provide the audit service for a fixed fee. While the Board is willing to provide the United Nations with additional audit services as and when so requested by the General Assembly under financial regulation 12.7, the increasing numbers of requests from the Assembly for specific examinations need to be balanced by a recognition of the need by the Assembly to authorize additional resources to the Board to carry out such work.

14. The Board considers that its budget should be put on at least the same basis as that of the Office of Internal Oversight Services as set out in General Assembly resolution 48/218 B. This would also serve to re-enforce the independence of the Board.

E. Cases of fraud or presumptive fraud

15. It is the responsibility of management to organize its internal check in a manner that enables it to uncover a fraud promptly as and when it occurs and to identify any case of potential fraud, and to take the follow-up action, including preventive steps.

16. The Board is required, under paragraph 6 (c) (1) of the annex to the Financial Regulations of the United Nations, to bring to the notice of the General Assembly cases of fraud or presumptive fraud. External audit can only apply a test check of transactions to the extent necessary to form an opinion on the financial statements. It cannot by its very nature detect all cases of fraud. It should therefore be made aware of all cases known to management, to permit a proper evaluation and reporting and the drawing of general lessons from particular cases. The Board has developed a pro forma to obtain the pertinent details of a case, including disciplinary action and other action to remedy weaknesses revealed in the system. Often, there has been delay in obtaining the details of the cases and consequently it has not been possible for the Board to review the adequacy of the action taken covering all the cases reported.

17. Cognizant of the concern of the General Assembly regarding fraudulent practices, culminating in the establishment of the Ad Hoc Intergovernmental Working Group of Experts established pursuant to General Assembly resolution

48/218 A, which recently submitted its report to the Assembly (A/49/418), the Board intends to intensify its scrutiny of the cases of fraud or presumptive fraud. For this purpose, the organizations concerned should report to the Board the details of such cases at six monthly intervals and should submit a consolidated list along with the financial statements. This should also apply to cases of write-off of losses of cash, stores and other assets.

F. Implementation of the Board's recommendations

18. The effectiveness of the external audit depends not only on the scope of the audit and the nature of the reporting of its results but also on the action taken by the administration in response to the findings and recommendations of the Board. Aware of the need to eliminate waste and injudicious expenditure and to improve the programme performance, the Board has over time reoriented its audit methodologies and reporting practices to ascertain and highlight the scope for economy and to indicate how the efficiency and effectiveness of various programmes and projects could be improved. This reorientation has brought sharper focus to the reports of the Board to the General Assembly for the biennium 1992-1993. The Board will further refine the auditing and reporting practices.

19. In the past, it has been the experience of the Board that despite its findings and recommendations having been developed after a continuous dialogue with the management, and later on upheld by the General Assembly, remedial action has not been effective enough. As a result, successive reports of the Board have often covered the same ground. It has also not been possible for the Board to examine fully the remedial action taken or proposed to be taken, as it was not reported to the Board in time.

20. In resolution 48/216 B of 23 December 1993, the General Assembly reiterated its request to the organizations concerned to report on the measures taken or proposed to be taken in response to the recommendations of the Board, including timetables for their implementation, at the same time as the recommendations of the Board are submitted. This would enable the Board to review not only the adequacy but also the efficacy of the action taken in the course of the audit during the next biennium and to point out the deficiencies for timely correction. The follow-up of the recommendations is thus an area that needs better attention in the future.

21. The remedial action taken by the administrations should also include invoking the provisions of Financial Rule 114.1 on personnel responsibility, wherever necessary, in order to act as an effective deterrent against the persistent violations of the Financial Rules and relevant administrative instructions.

22. With the introduction of a system of advance reporting on the remedial action and the time available for the Board to review it, it should be possible for the Board to report more clearly on the inadequacies and deficiencies that might persist. The Board believes that the Advisory Committee on Administrative and Budgetary Questions also develop its role, in line with its mandate, to hold the senior managers directly accountable for such inadequacies and deficiencies

in the implementation of the recommendations, on the basis of the follow-up reports of the Board.

G. Conclusion

23. The Board would be happy to elaborate on these views if Member States would find it helpful.